

Calculation of Maximum Expenses for Prior Approval/Limited Auto Rate and Excess Profit Filings:
Effective June 1, 2005 (including for 2005 Excess Profit Filings)

In accordance with N.J.A.C. 11:3-16.10(b)6, all insurers filing for Private Passenger Automobile rate revisions shall limit the historic expense provision for Commission and Brokerage, Other Acquisition Expenses, and General Expenses on a combined basis to the weighted average of those companies in the 20 largest private passenger automobile companies or groups that use the same marketing method as the filer, not including companies with membership requirements. The rule directs the Department to compile annually the list of the 20 largest private passenger automobile insurance companies or groups based on the most recent annual written premium volume in New Jersey. The companies or groups are divided into one of the three marketing methods: Direct Writers, Captive Agents and Independent Agents. Set out below are the expense caps by marketing method and the 20 companies from which they were compiled. Three years of data, 2002-2004 were analyzed. Written premium volume and Commission and Brokerage Expense are based on data from the State Page 14 Exhibit for New Jersey. Other Acquisition Expense and General Expense are based on direct countrywide data from Part 3 of the Insurance Expense Exhibit. A weighted-average by New Jersey Written Premium was calculated individually by year, and the three years were averaged to calculate an indicated cap. Liability and Physical Damage data were analyzed separately.

All expense ratios were calculated as a percent of Direct Written Premium or Direct Earned Premium net of dividends, but gross of excess profits.

	Expense Caps		
	<u>Direct Writers</u>	<u>Captive Agents</u>	<u>Independent Agents</u>
Auto Liability	20.8%	18.7%	22.9%
Auto Physical Damage	20.9%	18.3%	23.2%

Top 20 Companies / Groups		
<u>Direct Writers</u>	<u>Captive Agents</u>	<u>Independent Agents</u>
American International Group	Allstate New Jersey Ins. Co.	First Trenton Indemnity Co.
New Jersey Re-Insurance Co.	State Farm Indemnity Co.	Proformance Group
AAA Mid-Atlantic Ins. Co.	Liberty Mutual Fire Ins. Co.	Encompass Group
Metropolitan Group	High Point Group	Palisades Group
Amica Mutual Ins. Co.		Selective Ins. Co. of America
		Hanover Group
		Mercury Indemnity Co.
		New Jersey Skylands Group
		Liberty Ins. Corp.
		Chubb Group